

THE ECONOMIC IMPACTS OF HUMANITARIAN SHELTER ASSISTANCE

by

Charles A. Setchell
Shelter, Settlements, and Hazard Mitigation Advisor, USAID/OFDA

INTRODUCTION. A USAID/OFDA-funded study of the economic impacts of shelter assistance has found that shelter assistance not only improves the immediate welfare of persons who would otherwise be homeless in post-disaster/conflict settings, but also generates beneficial economic impacts which are “significant, rapid, and sustainable,” even in constrained settings.¹ These impacts can serve as a key means of “jump-starting” the recovery of disaster- and conflict-affected settlements, thereby strengthening the link between relief and development efforts.

A USAID/OFDA implementing partner, CHF International (CHF), conducted the study, based in part on analysis of shelter project activity in El Salvador, Colombia, and Sri Lanka. Overall, CHF found that investments in shelter assistance generate “income multiplier” impacts conservatively estimated at three to eight times the value of initial investments. Humanitarian actors should consider these positive economic impacts, and the opportunities for maximizing them, when designing and implementing shelter sector programs.

RATIONALE FOR STUDY. Analysis of relevant literature and shelter sector programming activities concluded that the short and longer-term beneficial economic impacts of shelter assistance appeared significant.² This finding of beneficial impact appeared supportive of the “third phrase” of the USAID/OFDA mandate -- reducing the economic impacts of disasters -- but required a more systematic and quantitative basis to make a definitive claim.

STUDY FINDINGS. USAID/OFDA funded CHF to conduct a thorough review of relevant literature and conduct conventional econometric analysis of recent shelter projects in El Salvador, Colombia, and Sri Lanka. The El Salvador project was implemented after the devastating 2001 earthquake, while projects in the other two countries were implemented in response to displacement caused by conflict. All three projects featured modest provision of shelter materials (e.g., plastic sheeting and galvanized iron roofing).

CHF found that, controlling for factors such as age and vulnerability of recipients, the incomes of persons who were provided with shelter assistance tended to increase at a faster rate than the incomes of persons who were not provided with assistance, and that this effect persisted for years after the provision of the assistance. This finding is explained by higher productivity of persons living in adequate shelters compared to those without (largely due to better health), investments made to enhance the habitability of shelters, as well as the possibility of establishing home-based enterprise (HBE) activities, such as a small shop, in the shelter. In addition, shelter was used as a capital asset, as beneficiaries borrowed against it, thereby enhancing prospects for increasing household income.

These beneficial impacts to the recipients of shelter assistance spill over into the local community as well, as higher incomes resulting from shelter assistance allow recipients to buy more goods and services, thereby generating additional livelihood opportunities. These impacts are in addition to the use of local labor and resources directly engaged in implementing shelter programs. Overall, CHF found that investments in shelter assistance generate multiplier impacts conservatively estimated at three to eight times the value of investments, which constitute a greater impact on affected settlements than perhaps any other humanitarian sector output.

¹ See full report at: http://www.chfinternational.org/files/2136_file_EIES_final.pdf

² Setchell, Charles A., “Reducing Vulnerability Through Livelihoods Promotion In Shelter Sector Activities: An Initial Examination For Potential Mitigation and Post-Disaster Application,” Tufts University Feinstein International Famine Center Working Paper No. 5, September 2001, <http://www.reliefweb.int/rw/lib.nsf/db900SID/LGEL-5DHPY?OpenDocument>